

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 12 - RISK MANAGEMENT

The District's risk management activities are recorded in the General and Self-Insurance Funds. Employee life, health, and disability programs are administered through the purchase of commercial insurance. Employee dental insurance is provided on a self-funded basis. The District participates in the Northern California Regional Excess Liability Fund (NCR), SAFER, and the Schools Excess Liability Fund (SELF) joint powers authorities (JPA's). The District pays annual contributions to NCR and SAFER for property and excess liability coverage and to SELF for additional excess liability coverage. Additional commercial insurance is also purchased for excess workers' compensation, crime, student foreign travel, and student accidents.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities for workers compensation are based on a current actuarial study using the "expected value" as the basis for the total liability. The workers' compensation liabilities are reported at their present value using an expected future investment yield assumption of 4 percent. The amount of the liability recorded at June 30, 2004, was \$30,265,000 and \$413,000 for workers' compensation and dental claims respectively.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. All full-time employees are eligible to participate under defined benefit retirement plans maintained by agencies of the City and County of San Francisco and the State of California. Certificated employees hired as of or after July 1, 1972, are eligible to participate in the cost-sharing multiple-employer, contributory State Teachers' Retirement System (STRS). Classified employees and certain certificated employees hired prior to July 1, 1972, are eligible to participate in the single-employer San Francisco City and County Employees' Retirement System (SFCCRS). Employees who are not eligible to participate under either of these two plans may participate in the Public Agency Retirement System (PARS).

STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

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Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 2003-2004 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2004, 2003 and 2002 were \$18,068,000, \$23,178,000 and \$19,009,492 respectively, and equal 100 percent of the required contributions for each year.

SFCCRS

Plan Description

The District contributes to the San Francisco City and County Employees' Retirement System (SFCCRS). SFCCRS is a separate department of the City and County of San Francisco, deriving its powers, functions, and responsibility from the City charter and ordinances of the Board of Supervisors of the City and County of San Francisco. Substantially all employees of the City and County are members including most of the District's classified permanent full-time employees and certain certificated employees hired prior to July 1, 1972. Members are classified according to City bargaining units as police, fire, and miscellaneous. District employees are members of the miscellaneous pool. The retirement fund provides retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. Employees with 20 years of service who have attained age 50 or those with 5 years of service who have attained age 60 are eligible for retirement benefits.

Funding Policy

In accordance with the City charter, District participants contribute 7.5 percent to 8.0 percent of their salaries to the SFCCRS. The funding policy of SFCCRS provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to SFCCRS to pay District participants' benefits when due. Employer contribution rate for the year ended June 30, 2004 is 0% to 8%. The District pays a portion of the employee's contribution, which varies, among the District bargaining units. District payments of the employee contribution are classified as fringe benefits. The District contributed \$5,650,200, to SFCCRS for the year ended June 30, 2004, consisting of \$2,011,788 of employee contributions and \$3,638,412 of fringe benefit reimbursement of employee contributions (employer pick-up of employee contributions).

Funding Status and Progress

The pension benefit obligation is a standardized disclosure measure that results from applying actuarial assumptions to estimate the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, to be payable in the future as a result of employee service to date. The measure is intended to help users assess on an going-concern basis the funding status of SFCCRS, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons between retirement systems and employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used. SFCCRS does not make separate measurements of assets and the pension benefit obligation for the District.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

The pension benefit obligation of SFCCRS was computed as part of an actuarial valuation performed as of July 1, 2002. The significant actuarial assumptions used in the 2002 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8.25 percent and annual future wage inflation of 4.5 percent.

Information regarding the pension benefit obligation of SFCCRS for the year ended June 30, 2002 is based on the 2002 actuarial valuation (latest information available). Such valuation included plan assets at fair value and the pension benefit obligation computed as an actuarial accrued liability. The actuarial accrued liability and actuarial value of assets at June 30, 2002 (in millions) were \$9,416 and \$11,102, respectively. The overfunded liability (in millions) and funded ratio were \$1,686 and 117.9 percent, respectively. The overfunded amount represented 83.5 percent of the total covered payroll (in millions) of \$2,019 for the 2002 valuation year. The increase in the pension benefit obligations for the 2002 valuation was due to normal changes in the age, length of service and salary of covered employees.

Historical Trend Information

Ten year trend information for the years ended June 30, 1993 through 2002 is as follows (Dollars in millions):

	<u>2002*</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Actuarial value of assets available for benefit payments	\$ 11,102	\$ 10,797	\$ 10,076	\$ 8,862	\$ 7,946	\$ 7,245	\$ 6,664	\$ 6,132	\$ 5,726	\$ 5,377
Actuarial accrued liability - entry age	9,416	8,372	7,238	6,431	6,351	6,162	5,814	5,620	5,688	5,534
Underfunded (overfunded) actuarial accrued liability	(1,686)	(2,425)	(2,838)	(2,431)	(1,595)	(1,083)	(850)	(512)	(38)	157
Funded ratio (actuarial value of assets as a percentage of actuarial accrued liability)	117.9%	129.0%	139.2%	137.8%	125.1%	117.6%	114.6%	109.1%	100.7%	97.2%
Covered payroll	\$ 2,019	\$ 1,858	\$ 1,727	\$ 1,591	\$ 1,474	\$ 1,385	\$ 1,321	\$ 1,194	\$ 1,189	\$ 1,118
Underfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	-83.5%	-130.5%	-164.3%	-152.8%	-108.2%	-78.2%	-64.3%	-42.9%	-3.2%	14.0%
Annual required employer contribution made in accordance with actuarially determined requirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ 69	\$ 84	\$ 101

* Most recent information available.

PARS

Plan Description

The District participates in three retirement plans administered by the Public Agency Retirement System (PARS) Trust: the Alternative Retirement System (ARS), the Target Benefit Plan (TBP), and the Supplementary Retirement Plan (SRP). The PARS is a public agency multiple-employer retirement trust (TRUST) under Section 40(a) and 501 of the Internal Revenue Code. The PARS is available to all public agencies that have formally adopted the Trust and established qualified retirement plans. Each agency plan in the Trust stands alone as an independent entity for tax and legal purposes. The District offers PARS plans to part-time, temporary and other employees who otherwise are not eligible to participate in SFCCRS or STRS.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Funding Policy

ARS

The ARS is defined contribution plan available to District employees, including part-time, seasonal and temporary, who are not accruing benefit under Social Security or another retirement plan which meets the requirements of Internal Revenue code 3121(B)(7)(F). Employees participating in ARS contribute 3.75 percent of their salary which is matched by a District contribution of 3.75 percent. All contributions are immediately vested at 100 percent. During the year ended June 30, 2004 the District made matching contributions of \$36,139.

TBP

The TBP has components of a defined contribution and defined benefit plan and is available to District employees not accruing a benefit under another retirement system provided or maintained by the District. Employees participating in TBP contribute 5.75 percent of their salary which immediately vests at 100 percent. Additionally, the District makes annual contributions to the Employer Reserve account. Annually, an allocation from the Employer Reserve account to each participant's Employer Allocation account is made based on a actuarial formula, which when combined with the employee contribution, would fully fund the projected target benefit of providing life annuity with a 2 percent cost-of living adjustment totaling 2 percent of the participant's 3 year average annual compensation for each year of service. The Employer Allocation account vests at 100 percent after 5 year of service (with an minimum of 700 hours in each year of service) with no partial vesting. The significant actuarial assumptions used in determining the employee allocation included an investment rate of 7 percent. Since the District contributes sufficient amounts on an annual basis to fund the Employer Reserve account, the TBP is considered fully funded at June 30, 2004.

SRP

The SRP is a defined benefit retirement plan that is available to eligible certificated bargaining unit members that elected to participate during the enrollment period ending in fiscal 1994 and 1998 as part of an early retirement program. Benefits available to participants under SRP include life annuity equal to 7 percent of final annual salary or other actuarially equivalent benefits. The District funds these benefits on a pay-as-you-go basis.

On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$5,448,481 (2.28 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2004. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

Litigation

The District is a defendant in a class action lawsuit which challenges the amounts of impact fees the District has charged developers. At risk, if the class is certified, is approximately \$13 million developers fees collected by the District. The case is still in its early stages and no trial date has been set. The District is unable to assess at this point in time the likelihood of an unfavorable outcome. No accrual for any amounts that may become due, should the District not prevail in this action, has been made.

The District is a defendant in a class action lawsuit, *Lopez et al. v. San Francisco Unified*, that alleges the District has failed to comply with the Americans With Disabilities Act and Section 504 of the Rehabilitation Act. The District entered into a settlement agreement in July 2004, which requires the District to make structural changes to its facilities. Such changes will be funded from the District's capital improvement budget with no anticipated impact to the District's general fund. However the District remains liable for plaintiff's fees and costs. Class counsel filed a claim for \$9 million in fees and costs. The District has opposed the claim and now the matter is to be heard before a judge. The District has \$3 million in insurance proceeds available to offset any awarded claim amount. However, the District would be liable for any amounts awarded in excess of the insurance coverage. At this point in time, it is not certain if there will be any residual liability to the District. No accrual has been made for any amounts of liability in excess of the insurance coverage.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the School Project for Utility Rate Reduction (SPURR) and participates in the Northern California Regional Excess Liability Fund (NCR), SAFER, and the Schools Excess Liability Fund (SELF) joint powers authorities (JPA's). The District pays annual contributions to NCR and SAFER for property and excess liability coverage and to SELF for additional excess liability coverage. The relationship between the District, and the JPA's is such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Entity	SPURR	SELF	NCR
Purpose	To provide the District with gas, electricity and other utility services	Excess Liability Insurance Coverage	Property and Liability Insurance Coverage
Participants	Member Districts	Member Districts	Member Districts
Condensed Audited Financial Information Follows			
	June 30, 2003*	June 30, 2003*	June 30, 2003*
Assets	\$ 12,157,244	\$ 139,052,615	\$ 27,149,663
Liabilities	11,181,475	107,855,085	18,878,610
Fund Equity	\$ 975,769	\$ 31,197,530	\$ 8,271,053
Revenues	23,684,434	40,290,486	23,319,977
Expenses	23,770,980	56,733,282	21,888,273
Net Increase (Decrease) in Fund Equity	\$ (86,546)	\$ (16,442,796)	\$ 1,431,704

*Most recent information available.

NOTE 16 – TAX AND REVENUE ANTICIPATION NOTES

At June 30, 2004, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$75,000,000, which matured on December 3, 2004. The notes were sold on November 20, 2003 with an interest rate of 1.08 percent. The notes were issued to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning December, 2004, until 100 percent of principal and interest due is on account in December 3, 2004.

NOTE 17 – SUBSEQUENT EVENT

The District issued \$75,000,000 of Tax And Revenue Anticipation Notes dated December 2, 2004. The notes mature on December 1, 2005, and yield 2.05 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning December 1, 2004, until 100 percent of principal and interest due is on account in December 1, 2005.

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REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variances -
	(GAAP Basis)			Favorable
			Actual	(Unfavorable)
	Original	Final	(GAAP Basis)	Final
Revenues:				to Actual
Revenue limit sources	\$ 245,150,210	\$ 245,263,580	\$ 263,341,371	\$ 18,077,791
Federal sources	43,595,223	47,344,226	41,053,216	(6,291,010)
Other state sources	93,327,254	97,070,327	97,753,465	683,138
Other local sources	39,508,421	44,151,637	62,678,405	18,526,768
Total revenues:	421,581,108	433,829,770	464,826,457	30,996,687
Expenditures				
Current				
Instruction	217,030,058	235,545,729	212,627,812	22,917,917
Instruction related activities:				
Supervision of instruction	38,657,572	56,692,476	39,060,628	17,631,848
Instructional library, media and technology	2,511,140	4,245,412	2,766,199	1,479,213
School site administration	31,320,039	32,076,049	29,899,149	2,176,900
Pupil services:				
Home-to-school transportation	9,454,634	34,639,742	9,090,077	25,549,665
Food services	107,301	112,808	62,812	49,996
All other pupil services	18,553,020	500,231	19,285,965	(18,785,734)
General Administration:				
Data processing	6,406,077	7,117,989	6,851,870	266,119
All other general administration	43,930,490	51,209,968	49,846,443	1,363,525
Plant services	26,930,098	39,521,205	39,654,997	(133,792)
Facility acquisition and construction	4,681,090	6,600,334	4,462,575	2,137,759
Ancillary services	501,010	1,846,890	1,786,951	59,939
Community services	-	167,415	14,568	152,847
Other outgo	15,436,522	18,815,719	45,235,854	(26,420,135)
Debt service				
Principal	-	-	219,813	(219,813)
Interest	-	1,510,000	1,512,220	(2,220)
TOTAL EXPENDITURES	415,519,051	490,601,967	462,377,933	28,224,034
Excess (deficiency) of revenues over expenditures	6,062,057	(56,772,197)	2,448,524	59,220,721
Other Financing Uses:				
Transfers out	(3,974,666)	-	(11,866,028)	(11,866,028)
NET CHANGE IN FUND BALANCES	2,087,391	(56,772,197)	(9,417,504)	47,354,693
Fund balance - Beginning	31,943,536	31,943,536	31,943,536	-
Prior period adjustment	-	-	(1,887,341)	(1,887,341)
Fund balance - Ending	\$ 34,030,927	\$ (24,828,661)	\$ 20,638,691	\$ 45,467,352

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

COUNTY SCHOOL SERVICE FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues:				
Revenue limit sources	\$ 25,838,883	\$ 25,838,883	\$ 13,658,710	\$ (12,180,173)
Federal sources	8,284,938	12,227,897	12,352,184	124,288
Other state sources	44,933,461	44,896,235	41,346,678	(3,549,557)
Other local sources	22,150,270	22,190,925	36,177,991	13,987,066
Total revenues:	101,207,552	105,153,939	103,535,563	(1,618,376)
Expenditures				
Current				
Instruction	67,653,651	72,075,378	68,433,439	3,641,939
Instruction related activities:				
Supervision of instruction	4,010,624	4,292,640	3,460,962	831,678
Instructional library, media and technology	6,429	26,429	-	26,429
School site administration	1,023,618	1,091,929	1,222,696	(130,767)
Pupil services:				
Home-to-school transportation	11,043,022	24,232,179	11,052,236	13,179,943
All other pupil services	10,921,078	-	13,844,532	(13,844,532)
General Administration:				
All other general administration	790,772	5,905,679	1,825,137	4,080,542
Plant services	-	-	-	-
Ancillary services	-	227,668	79,797	147,871
Other outgo	5,000,000	130,326	4,999,186	(4,868,860)
TOTAL EXPENDITURES	100,449,194	107,982,228	104,917,985	3,064,243
Excess (deficiency) of revenues over expenditures	758,358	(2,828,289)	(1,382,422)	1,445,867
Other Financing Sources:				
Transfers in	-	-	991,551	991,551
NET CHANGE IN FUND BALANCES	758,358	(2,828,289)	(390,871)	2,437,418
Fund balance - Beginning	-	-	-	-
Prior Period adjustment	-	-	390,871	390,871
Fund balance - Ending	\$ 758,358	\$ (2,828,289)	\$ -	\$ 2,828,289

The accompanying notes are an integral part of these financial statements.

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SUPPLEMENTARY INFORMATION

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
21st Century Community Learning Center	84.287	14350	\$ 4,288,997
Arts in the City - Federal Magnet Program	84.165	[3]	547,960
IASA: Title I-Capital Expenses/Private Schools	84.216	13953	93,597
IASA: Title II-Eisenhower (01/02)	84.281A	3207	14,887
IASA: Title XI Coordinated Services (01/02)	84.144	10025	89,648
Drug and Violence Prevention in Middle Schools	84.186	14347	284,695
Emergency Response and School Safety	[2]	[3]	47,924
EPA Indoor Air Quality For Schools	[2]	[3]	7,963
ES Foreign Language Program (Flip)	84.293	[3]	76,165
Federal School Renovation Classroom Technology	84.352A	14318	888,850
Indian Education	84.060	10011	58,894
Language Assistance - Japanese	[2]	[3]	504,243
No Child Left Behind			
Title I-Achieving Schools Award [1]	84.010	14429	231,559
Title I-Basic Grants Low Income and Neglected [1]	84.010	14329	17,097,276
Title I-Comprehensive School Reform Demonstration [1]	84.010	13966	145,512
Title I-Even Start Family Literacy	84.213	14331	447,234
Title I-Migrant Ed (Regular and Summer Program)	84.011	13174	149,020
Title II-Enhancing Education Through Technology	84.318	14335	187,528
Title II-Teacher Quality	84.367	14341	2,220,941
Title III-Bilingual Education	84.290	10008	1,897,125
Title III-Limited English Proficiency (LEP)	84.365	10084	769,301
Title I-Local Delinquent Programs	84.013	13798	144,786
Title I-Local Improvement Plan	84.011	13067	342,154
Title I-Reading First Program	84.357	14328	1,266,083
Title IV-21st Century Community Centers	84.287	14349	358,377
Title IV-Drug-Free Schools	84.186	14347	480,176
Title V-Character Education	84.215	13063	355,019
Title V-Charter Schools Grants	84.282	13150	855,614
Title V-Innovative Education Strategies	84.298A	14354	407,249
Title X-McKinney-Vento Homeless Assistance Grants	84.196	14332	102,832
Safe and Drug Free-Learning Environment	84.186	13452	1,608,375
Schoolwide Programs (SWP)	84.010	10003	(357,112)
San Francisco Gear-up Partnership	84.334	10088	1,235,965

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Shaping Our Lives Everyday (SOLE)	[2]	[3]	108,669
Smaller Learning Communities	84.287	14350	370,986
Special Education			
Basic Local Assistance Entitlement	84.027	13379	9,213,404
County Mental Health Services	84.027	14467	1,429,557
Early Intervention Grants	84.181	13761	130,932
Local Staff Development Grant	84.027A	13613	35,444
Mental Health Allocation Plan	84.027	14468	132,067
Preschool Grants	84.173	13430	357,014
Preschool Local Entitlement	84.027A	13682	509,478
State Improvement Grant, Improving Special Ed Systems	84.323	13904	4,778
Workability I	84.027	13705	177,500
Students Healthy and Physical Everyday (SHAPE)	84.000	12100	144,587
Urban Systemic Program	84.000	[3]	1,101,137
Vocational Programs: Postsecondary	84.048	13578	14,385
Vocational Programs: Vocational and Applied Technology	84.048	13577	537,002
Other	[2]	[3]	31,866
Subtotal			<u>51,147,643</u>
U.S. DEPARTMENT OF AGRICULTURE			
National School Lunch Program [1]	10.555	13524	9,498,835
Child Care Food Program -Centers and Family Day	10.558	13393	1,590,363
Subtotal			<u>11,089,198</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
Quality Improvement Activities	93.575	13942	13,534
School-Age Child Care Resource Contracts	93.575	13941	10,004
Infant/Toddler Child Care Resource Contracts	93.575	13942	2,030
Comprehensive Health Program	93.938	11982	394,649
Comprehensive School Health Local Training	93.938	[3]	278,771
Federal Child Care, Center-based [1]	93.596	13609	18,368,255
Head Start	93.600	10016	355,196
Medi-Cal Billing Option	93.778	10013	1,037,905
NSF - Inquires	[2]	[3]	342,490
Scientific Proven Asthma Intervention	[2]	[3]	112,817
Subtotal			<u>20,915,651</u>

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF REHABILITATION			
Passed through California Department of Education (CDE):			
Transition Partnership Grant	84.158	00006	<u>(25.177)</u>
U.S. DEPARTMENT OF LABOR			
Workforce Investment Act (formerly JTPA)	17.255	13422	57,516
Workforce Investment Act From Other Agencies	17.255	10055	<u>58,786</u>
Subtotal			<u>116.302</u>
Total			<u><u>\$83,243.617</u></u>

[1] Tested as major program

[2] CFDA number not available

[3] Pass-Through entity identifying number not available

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SUMMARY OF THE OFFICE OF CRIMINAL JUSTICE PLANNING GRANTS
FOR THE YEAR ENDED JUNE 30, 2004**

Program Description

School Safety Program

Grant Number: JC98011685

Grant Period: July 1, 1999 through June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES	\$ 960,000	\$ 604,510	\$ 355,490
EXPENDITURES			
Personal services	709,737	316,509	393,228
Operating expenses	246,912	315,278	(68,366)
Equipment	3,351	3,351	-
	<u>\$ 960,000</u>	<u>\$ 635,138</u>	<u>\$ 324,862</u>

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2004

	Amended Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	3,690	3,702
First through third	11,706	11,692
Fourth through sixth	11,959	11,939
Seventh and eighth	7,834	7,828
Home and hospital	2	2
County Community School	18	22
Juvenile hall	8	11
Special education	1,310	1,338
Nonpublic/ Nonsectarian Schools	91	94
Total Elementary	36,618	36,628
SECONDARY		
Regular classes	15,718	15,585
Continuation education	313	286
Home and hospital	2	2
County Community School	312	327
Juvenile hall	132	130
Special education	749	750
Nonpublic/ Nonsectarian Schools	166	170
Student in Cal-SAFE	62	65
Total Secondary	17,454	17,315
Total K-12	54,072	53,943
REGIONAL OCCUPATIONAL PROGRAM	332	346
CHARTER SCHOOL		
Elementary	437	432
High School	1,122	1,108
Total Charter School	1,559	1,540
Grand Total	55,963	55,829
SUMMER SCHOOL		Hours of Attendance
Grades K-12 Core Instruction		120,236
Grades 7-12 Remedial Instruction		158,299
Grades 2-9 Pupils Retained		133,222
Total Hours		411,757

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2004

Grade Level	1986-87 Minutes Requirement	1982-83 Actual Minutes	2003-04 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	32,014	36,900	180	In Compliance
Grades 1 - 3	50,400	45,755	50,520	180	In Compliance
Grades 4 - 6	54,000	48,788	54,040	180	In Compliance
Grades 7 - 8	54,000	57,525	57,540	180	In Compliance
Grades 9 - 12	64,800	58,458	64,800	180	In Compliance

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report, and the audited financial statements.

	General	County School Service Fund		
FUND BALANCE				
Balance, June 30, 2004, (Unaudited Actual)	\$ 35,171,245	\$ 1,573,066		
Excess ERAF transfer	(860,170)	860,170		
Revenue limit adjustments	2,597,759	(3,424,787)		
Additional lottery accrual	771,408	-		
Deferral of SRS settlement proceeds	(16,050,000)	-		
General fund contribution	(991,551)	991,551		
Balance, June 30, 2004,				
Audited Financial Statements	<u>\$ 20,638,691</u>	<u>\$ -</u>		
	Special Reserve	Self	Child	
	Capital Outlay	Insurance	Development	
FUND BALANCE				
Balance, June 30, 2004, (Unaudited Actual)	\$ (344,647)	\$ 252,031	\$ 416,735	
Increase (Decrease) in accounts receivable	(2,287,907)	-	(264,831)	
Decrease (Increase) in accounts payable	-	(10,265,000)	354,828	
Balance, June 30, 2004,				
Audited Financial Statements	<u>\$ (2,632,554)</u>	<u>\$ (10,012,969)</u>	<u>\$ 506,732</u>	

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

	(Budget) 2005 ¹	2004	2003	2002
GENERAL FUND				
Revenues	\$ 472,366,526	\$ 464,826,457	\$ 450,985,053	\$ 454,215,022
Other sources and transfers in	-	-	6,680,947	85,000
Total Revenues and Other Sources	472,366,526	464,826,457	457,666,000	454,300,022
Expenditures	457,392,794	462,377,933	471,384,277	456,741,741
Other uses and transfers out	9,778,353	11,866,028	21,454,590	16,805,060
Total Expenditures and Other Uses	467,171,147	474,243,961	492,838,867	473,546,801
INCREASE/(DECREASE) IN FUND BALANCE	<u>\$ 5,195,379</u>	<u>\$ (9,417,504)</u>	<u>\$ (35,172,867)</u>	<u>\$ (19,246,779)</u>
ENDING FUND BALANCE	<u>\$ 25,834,070</u>	<u>\$ 20,638,691³</u>	<u>\$ 31,943,536</u>	<u>\$ 59,113,687</u>
AVAILABLE RESERVES²	<u>\$ 3,188,854</u>	<u>\$ (6,921,412)</u>	<u>\$ 8,568,169</u>	<u>\$ 26,254,136</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>0.7%</u>	<u>-1.5%</u>	<u>1.7%</u>	<u>5.5%</u>
LONG-TERM DEBT	<u>\$ 65,647,715</u>	<u>\$ 67,553,549</u>	<u>\$ 60,107,124</u>	<u>\$ 63,638,742</u>
AVERAGE DAILY ATTENDANCE AT P-2⁴	<u>55,572</u>	<u>55,963</u>	<u>56,419</u>	<u>56,746</u>

The General Fund balance has decreased by \$38,474,996 over the past two years. The fiscal year 2004-05 budget projects an increase of \$5,195,379, or 25.17 percent. For a district this size, the State recommends available reserves of at least 2 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The deficit available reserve amount reflects the recognition in the 2003-04 fiscal year of half of the proceeds from a legal settlement totaling \$32.1 million. The remaining \$16.05 million was not recognized for the purpose of preparing these financial statements; instead, these revenues will be recognized in the 2004-05 fiscal year (see page 50).

The District has incurred operating deficits in all of the past three years but anticipates incurring an operating surplus during the 2004-05 fiscal year. Total long-term debt has increased by \$3,914,807 over the past two years.

Average daily attendance has decreased by 783 over the past two years. Additional decline of 391 ADA is anticipated during fiscal year 2004-05.

1 Budget 2005 is based on the most current District projection and is included for analytical purposes only and has not been subjected to audit.

2 Available reserves deficit consists of the undesignated fund balance deficit in the general fund, offset by the ending fund balance or deficit of the child development and cafeteria funds.

3 Includes prior period adjustments of \$1,887,341.

4 ADA amounts include all District, County and Charter School programs.

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Creative Arts Charter School	No
Gateway High Charter School	No
Leadership High Charter School	No
Life Learning Academy School	No
Five Keys Academy School	No
Cross Cultural Academy Charter School	No
KIPP Bayview Academy School	No
City Arts and Technology High School	No
Metropolitan Arts and Technology High School	No
KIPP Bay Academy	No

See accompanying note to supplementary information.

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SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS

BALANCE SHEET, UNAUDITED

JUNE 30, 2004

	Child Development	Cafeteria	Deferred Maintenance	Capital Facilities
ASSETS				
Cash and cash equivalents	\$ -	\$ 4,000	\$ 7,120	\$ -
Investments	554,069	-	5,891,723	4,692,583
Receivables	1,464,579	3,816,375	12,298	9,680
Stores inventories	-	104,601	-	-
Total assets	\$ 2,018,648	\$ 3,924,976	\$ 5,911,141	\$ 4,702,263
LIABILITIES AND FUND BALANCES				
Liabilities:				
Overdrafts	\$ -	\$ 3,635,907	\$ -	\$ -
Accounts payable	1,279,596	366,907	391,895	53,470
Due to other funds	-	-	-	-
Deferred revenue	232,320	-	-	-
Total liabilities	1,511,916	4,002,814	391,895	53,470
Fund Balances:				
Reserved for:				
Stores inventories	-	104,601	-	-
Other reservations	-	4,000	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	506,732	(186,439)	5,519,246	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	4,648,793
Total fund balance	506,732	(77,838)	5,519,246	4,648,793
Total Liabilities and Fund Balances	\$ 2,018,648	\$ 3,924,976	\$ 5,911,141	\$ 4,702,263

See accompanying note to supplementary information.

State School Building	County School Facilities	Special Reserve Capital Outlay	Tax Override	Debt Service	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,120
6,301,472	15,906,547	-	38,604	-	33,384,998
13,046	48,303	-	-	249,373	5,613,654
-	-	-	-	-	104,601
<u>\$ 6,314,518</u>	<u>\$ 15,954,850</u>	<u>\$ -</u>	<u>\$ 38,604</u>	<u>\$ 249,373</u>	<u>\$ 39,114,373</u>
\$ -	\$ -	\$ 1,817,849	\$ -	\$ 249,373	\$ 5,703,129
154,914	1,484,593	14,705	-	-	3,746,080
-	-	800,000	-	-	800,000
6,159,605	12,626,195	-	-	-	19,018,120
<u>6,314,519</u>	<u>14,110,788</u>	<u>2,632,554</u>	<u>-</u>	<u>249,373</u>	<u>29,267,329</u>
-	-	-	-	-	104,601
-	-	-	-	-	4,000
-	-	-	-	-	5,839,539
-	-	-	38,604	-	38,604
(1)	1,844,062	(2,632,554)	-	-	3,860,300
(1)	1,844,062	(2,632,554)	38,604	-	9,847,044
<u>\$ 6,314,518</u>	<u>\$ 15,954,850</u>	<u>\$ -</u>	<u>\$ 38,604</u>	<u>\$ 249,373</u>	<u>\$ 39,114,373</u>

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE, UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2004

	Child Development	Cafeteria	Deferred Maintenance	Capital Facilities
REVENUES				
Federal sources	\$ 20,339,382	\$ 9,498,835	\$ -	\$ -
Other state sources	8,437,861	607,447	-	-
Other local sources	2,480,412	2,770,806	81,120	2,861,452
Total Revenues	<u>31,257,655</u>	<u>12,877,088</u>	<u>81,120</u>	<u>2,861,452</u>
EXPENDITURES				
Current				
Instruction	22,219,716	-	-	-
Instruction related activities:				
Supervision of instruction	283,950	-	-	-
School site administration	3,416,630	-	-	-
Pupil Services:				
Food services	4,011,686	12,566,731	-	-
All other pupil services	308,186	-	-	-
General administration:				
All other general administration	5,467,791	732,319	-	-
Plant services	163,447	331,170	2,322,425	-
Facility acquisition and construction	(839,828)	77,837	4,439,495	(107,908)
Other outgo	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>35,031,578</u>	<u>13,708,057</u>	<u>6,761,920</u>	<u>(107,908)</u>
Excess (deficiency) of revenues over expenditures	(3,773,923)	(830,969)	(6,680,800)	2,969,360
Other Financing Sources:				
Transfers in	4,222,808	753,129	-	-
NET CHANGE IN FUND BALANCES	448,885	(77,840)	(6,680,800)	2,969,360
Fund Balance - Beginning	57,847	2	12,200,046	1,679,433
Prior Period Adjustments	-	-	-	-
Fund Balance - Ending	<u>\$ 506,732</u>	<u>\$ (77,838)</u>	<u>\$ 5,519,246</u>	<u>\$ 4,648,793</u>

See accompanying note to supplementary information.